

LEGISLATIVE AUDIT DIVISION

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MEMORANDUM

TO: Legislative Audit Committee Members

FROM: Jim Pellegrini
Deputy Legislative Auditor, Performance Audits

DATE: June 2004

RE: Follow-up Performance Audit, Virginia and Nevada City Historic Site Management,
Montana Heritage Commission, Department of Commerce

INTRODUCTION

We presented our audit findings of Virginia and Nevada City Historic Site Management, 02P-08, in February 2003. On April 23, 1997, the Montana legislature authorized the purchase of the Bovey properties in Virginia City and Nevada City for \$6.5 million. The purchase was finalized in May 1997, resulting in state ownership of about half the historic structures in Virginia City and all of Nevada City. The Montana Heritage Preservation and Development Commission (Commission) was established primarily to manage the sites. The Commission was attached to the Montana Historical Society for administrative purposes and consists of 14 members. The audit scope focused on examining whether the sites were being managed to become economically self-sufficient and if business controls were in place to provide strong management oversight.

Overview

Three of the five recommendations are either implemented or being implemented. Three recommendations were made to the legislature, and two recommendations were made to the Montana Heritage Commission. The Montana Heritage Commission has implemented one recommendation and is in the process of implementing the second. Bills were introduced in the 2003 legislative session to address the three audit recommendations made to the legislature. Legislation passed to implement one of the recommendations and the other two were not implemented due to failed legislation.

We conducted the following follow-up work:

- Visited and observed operations at Virginia and Nevada City
- Interviewed Commission staff as well as Commission members
- Reviewed new position descriptions
- Identified funding sources
- Obtained and analyzed current revenues and expenditures
- Interviewed Department of Commerce staff
- Interviewed concessionaires
- Reviewed concessionaire contracts

The report contains five recommendations, three directed to the legislature. This memorandum documents the implementation status as of June 2004.

FOLLOW-UP AUDIT FINDINGS

Recommendation #1

We recommend the Commission develop a system of staffing controls and allocate staff to assure priority workload areas are addressed.

Status: Being Implemented

The commission has taken steps toward developing staffing controls. The following controls have been employed to assure accountability and monitor work priorities.

- An on-site manager has been hired.
- All position descriptions have been reviewed and a majority have been rewritten.
- Performance evaluation tools have been developed for each position.
- The distinction between preservation and maintenance staff is being reexamined.
- Performance evaluations are scheduled to be completed by the end of June 2004.

Recommendation #2

We recommend the legislature transfer ownership and management of all artifacts and real property to one managing entity.

Status: Implemented

During the 58th Legislative Session, Senate Bill 101 was introduced, passed and approved. The bill transferred all real and personal property to the Commission.

Recommendation #3

We recommend the Commission create an established, foreseeable timeline and methods for completing the artifact inventory.

Status: Implemented

A \$216,000 contract was awarded to a private contractor in April 2004 to complete inventory on 36 buildings. The contract requires the inventory data be input into an electronic database. The contract requires the work be completed within six months and the contractor committed to a

126-day timeline to complete the inventory. Currently, the work is ahead of the 126-day timeline and they have completed inventory on 17 of the 36 buildings assigned in their contract. Montana Heritage Commission Staff (Staff) are concurrently working on inventory in addition to curatorial work on the artifacts. The staff is conducting work in 10 buildings that are slated for preservation work. All artifacts must be removed, stabilized and preserved. A majority of these artifacts are being stored in the McFarland Curatorial Center. Both contract and Commission staff are identifying those items that are in need of immediate attention due to intrinsic value, as well as items that are original to Virginia City. The inventory contractors are not preserving and stabilizing items as they proceed; these tasks are left to Commission staff. Policies have been developed for the accession and de-accession of artifacts. The process requires the approval of management staff and the Commission. Below are pictures of the inventory process, taken during Legislative Audit Division staff visit in June 2004. The first picture shows contract staff inventorying artifacts in a building in Nevada City.

Figure 1
Contractor conducting inventory
in a Nevada City building



Source: Legislative Audit Division photograph

The second picture depicts artifacts in the McFarland Curatorial Center. At the time of the performance audit, few artifacts were being stored in the curatorial center.

Figure 2
Artifacts from Virginia and Nevada City
that have been stabilized and preserved



Source: Legislative Audit Division photograph

Recommendation # 4

We recommend the legislature take actions necessary to transfer management of Virginia and Nevada City historic sites to the Parks Division within the Department of Fish, Wildlife, and Parks.

Recommendation #5

We recommend the legislature take action to attach the Heritage Preservation and Development Commission to the Department of Fish, Wildlife, and Parks and continue to use the professional expertise of the members in an advisory capacity.

Status: Not Implemented

Neither Recommendation #4 nor #5 were implemented. Senate Bill 431 was introduced during the 58th Legislative Session. This bill would have implemented both of the above recommendations but was tabled in the legislative process. Although these recommendations were not implemented the legislature passed Senate Bill 232, which attached the Commission to the Department of Commerce for administrative purposes.

The Department of Commerce charges all of its divisions an administrative overhead cost of 15% of the division's personnel services budget. Section 22-3-1002, MCA, states, "the commission and the department shall negotiate a specific indirect administrative rate annually, with biennial review by a designated, appropriate legislative interim committee." For this charge, the Department of Commerce provides support in the following areas:

- Legal
- Human Resources
- Information Systems
- Accounting

Staff training still seems to be an unaddressed area in which the Commission could use support. The initial recommendation to transfer management of Virginia and Nevada City to the Department of Fish, Wildlife, and Parks was to ensure additional management controls would be in place. Attaching the Commission to the Department of Commerce did not guarantee these controls were in place. Therefore, the Commission has taken steps to implement management controls that are consistent with the intent of recommendation #5. Some of the management controls implemented by the Commission include on-site supervision, which is working to better manage visitor services and maintenance support, and completing the inventory process is a step toward managing the Commission's property.

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